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ARIZONA CORPORATION COMMIS

UTILITY COMPLAINT FORM

4700

Investigator: Brad Morton

Phone: [REDACTED]

Fax: [REDACTED]

Priority: Respond Within Five Days

Arizona Corporation Commission

Opinion No. 2008 - 67111

Date: 3/17/2008

DOCKETED

MAR 17 2008

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: n/a

n/a

DOCKETED BY

ME

Account Name: n/a n/a

Home: (520) 000-0000

Street: n/a

Work:

City: San Manuel

CBR:

State: AZ Zip: 00000

is:

Utility Company: Coronado Utilities, Inc.

Division: Sewer-water

Contact Name: [REDACTED]

Contact Phone: [REDACTED]

Nature of Complaint:

THROUGH COMMISSIONER MAYES

Opening Statement Feb. 6, 2008

A citizens group was formed in Nov. 2006 to look into the high cost of sewer rates in San Manuel. I am her, ogive 17 a summary of the work of that group. The Information provided here is a group consensus and are not my personal opinions and none of the committee agree 100% with all conclusions. We have met for the last Year and a half, all meetings were open to the public, notice was given in the Miner newspaper.

Legal Facts Feb. 6, 2008

- Nov 1, 2004: BHP & Coronado enter into purchase agreement.
- Feb 10, 2005: Coronado applies for new certificate of convenience & necessity (CC&N). Also applied to issue short & long term debt of \$3,300,00 for new plant.
- March 15, 2005: ACC indicates that a CC&N application meets the requirements of AZ administrative codes.
- Aug 31, 2005: ACC staff claims BHP is a public service corporation: A) provides sewage service; B) for-profit, they do charge; C) they have a monopoly. Coronado argued that BHP was not making a profit. Judge ruled BHP is not a public service corporation.
- Sept 2005: prior to re-opened hearings, in an attempt to reduce the rate shock on users Coronado & ACC agree on phase-in rates.
- Dec 28, 2005: Coronado proposes a 3-step phase-in rate. Phase One \$27, Phase Two \$37 (to be subsidized by BHP for 12 months), Phase Three rates \$46.50. Hook-up fees do not represent an effective means for financing a new plant. In the future, as growth requires, plant expansion hook-up fees may be appropriate. ACC recommends Coronado file a rate case 24 months after Phase Two rates go into effect. No loan funds can be applied to Coronado operating expenses or in come.
- BHP Waste Water Treatment was permitted under mining permit. Had to be upgraded to ADEQ regulations no matter who owned & operated it.
- Jason Williamson, John Clingman, & Dwight Zemp are owners of Coronado, Pivotal Management, Pivotal Operations, & SanTec. As of July 2006 BHP has become at least 20% owner in Coranodo.

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Group Conclusions Feb. 6, 2008

1. BHP should have been declared a Public Service Corporation and upgraded the sewer treatment plant prior to TXF.
2. BHP should have put the effort into setting up a sewer district like they did the fire district.
- * 3. We think Coronado lacks proper capital to undertake the sewer project. We believe that San Manuel is funding their lack of capital through higher rates to pay for their debt service.
4. Coronado and its other companies are in the upper 10% of rates charged for utilities in the state of AZ.
5. We have received almost 800 signed protest petitions which should show our elected officials (who count on our votes) a great need, and want for a more cost effective solution.
6. We need a legal entity to represent San Manuel & assist with the community's utility needs & requirements. Such an entity would also give San Manuel the right to receive funds & property.
7. One solution would be a sewer district. We can form a sewer district, but we must acquire the waste water facility. This may be done by legal condemnation of the waste water facility. If we were successful with the condemnation process, the price would be set by the court. We could also acquire the waste water facility by a purchase agreement with Coronado Utilities. Both of these options would be costly.
8. Another possible solution would be a Utility District to deal with all community utility -related needs; However, this would require law makers to pass a bill forming such an entity. A Utility Dist is not a legal option at this time.
9. We see a need for San Manuel to be extremely organized & ready when rate hearings proceed with the ACC. These hearings must take place within the 24 months after Phase Two pricing goes into effect. It looks like this will happen around June 2008.
10. We believe Hearings should be held in San Manuel.

Committee Questions Feb. 6, 2008

1. (to county officials) Will you hold up any building projects, building permits, partnerships or percentage of ownership of a development company until BHP takes care of their first development (San Manuel) in a cost effective & functional way?
2. (to those conducting rate hearings) Will you make sure that Coronado does not allow profit stacking, that is to pass profits to the 3 owners (Williamson, Zemp, & Clingman) to their other 3 companies (Pivotal Management, Pivotal Operations, or SanTac)? This would raise operation costs so that they would artificially raise rates for the ACC rate hearing.
3. (to state officials) Does the state have the ability to create (pass a bill) to form a Rural Utility District so that we do not have this same problem, cost & headaches for each utility that we have to deal with? For example: lights, water pumps, sewer, or any other utility needs. Perhaps it could be like a Rural Community Board that only deals with the necessities of utilities.
4. All of this was presented last April 2007, what have you done to help this community (San Manuel) since that meeting?

Estimated Total San Manuel For One Year \$6,175,323 For

(Percentage rounded

Utility Cost 1617 Homes off)

\$504,504

Electricity

8%

\$654,885 Cell Phone

11%

\$873,180

Gas

14%

\$659,736

Trash

11%

\$679,140

Telephone

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11%
\$679,140 Water
11%
\$873,180
Television
14%
\$339,570
Internet \$911,988
5% Sewage
15%

Estimated Total Oracle Utility Cost
For One Year \$6,116,145 For 1879 Homes
(Percentage Rounded Off)

\$586,248
Electricity
9%\n\$760,995
Cell Phone--
11%
\$394,590
Internet
6%
\$653,892
Sewage
10%
\$1,014,660 Gas
14%
\$766,632 // Trash -/
11%
\$789,180
Telephone
12%
\$789,180
Water
12%
\$1,014,660
Television
15%
I

Estimated Total Mammoth Utility Cost For One Year \$2,146,355 For 805 Homes
(Percentage Rounded Off)

\$251,160
Electricity
11%
Cell Phone- 9%
\$434,700 Gas
20%
\$100,947

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Trash
4%
\$200,348
Water
9%
\$434,700
Television
19%
\$169,050
Internet
7%
\$143,837
Sewage
6%
\$217,350
\$338,100
Telephone
15%

San Manuel

Sewage: (Coronado Utilities, Inc.) $1617 \times 12 \times \$47.00$ (Effective June 2008) \$911,988
Trash: (Waste Management Inc.) $1617 \times 12 \times \$34.00$ \$659,736

Second, the estimate of the cost of the utilities with variable amounts per month dependent upon the amount used and often the provider of the service:

(Southwest Gas Corp.) $1617 \times 12 \times \$50.00 = \$873,180$

Television (Direct TV or DISH) $1617 \times 12 \times \$45.00$ \$873,180

Water (AZ Water Co.) $1617 \times 12 \times \$35.73$ \$679,140

Telephone (Quest) $1617 \times 12 \times \$35.00$ \$679,140

Cell Phone (various companies) estimate 3/4 of postal units have cell phones

$1617 \times 0.75 \times 12 \times \$45.00 = \$654,885$

Electricity (AZ Power Services) $1617 \times 12 \times \$39.00 = \$504,504$

Internet (various companies) (estimate that 1/2 of the postal units have home internet)
 $1617/2 = 809 \times 12 \times \$35.00 = \$339,570$

Mammoth

Sewage: (Town of Mammoth) $805 \times 12 \times \$14.89$ \$143,837

Trash: (Town of Mammoth) $805 \times 12 \times \$10.45 = \$100,947$

Second, the estimate of the cost of the utilities with variable amounts per month dependent on amount used and often the provider of the service:

(Southwest Gas Corp.) $805 \times 12 \times \$45.00 = \$434,700$

Water (Town of Mammoth) $805 \times 12 \times \$25.00 = \$200,348$

Television (Direct TV or DISH) $805 \times 12 \times \$45.00$ \$434,700

Electricity (BIA) $805 \times 12 \times \$26.00 = \$251,160$

Telephone (Quest) $805 \times 12 \times \$35.00 = \$338,100$

Cell Phone (various companies) estimate 1/2 of postal units 805 have cell phones- $805 \times 0.5 \times 12 \times \45.00 \$217,350

Internet (various companies) (estimate that 1/2 of the postal units have home internet)
 $805/2 = 403 \times 12 \times \$35.00 = \$169,050$

Oracle

Sewage: (Oracle Sanitary Sewer.) $1879 \times 12 \times \$29.00 = \$653,892$

Trash: (Waste Management Inc.) $1879 \times 12 \times \$34.00$ \$766,632

Second, the est. of the cost of the utilities with variable amounts per month is dependent on amount used and

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often the provider of the service:

Gas (Southwest Gas Corp.) $1879 \times 12 \times \$45.00 = \$1,014,660$

Television (Direct TV or DISH) $1879 \times 12 \times \$45.00 = \$1,014,660$

Water (AZ Water Co.) $1879 \times 12 \times \$35.00 = \$789,180$

Telephone (Quest) $1879 \times 12 \times \$35.00 = \$789,180$

Cell Phone (various companies) estimate $3/4$ of postal units - 1879×0.75

$= 1409 \times 12 \times \$45.00 = \$760,995$

Electricity (BIA) $1879 \times 12 \times \$26.00 = \$586,248$

Internet (various companies) (estimate that $1/2$ of the postal units have home internet)

$1879/2 = 940 \times 12 \times \$35.00 = \$394,590$

End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion docketed

End of Comments

Date Completed: 3/17/2008

Opinion No. 2008 - 67111
